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Africa Review

16 March 1979

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Rhodesia: Preelection Atmospherics (U)

Campaigning for the national election next month is gathering momentum. Political violence is increasing, particularly in rural areas, and the guerrillas can be expected to discourage voters from going to the polls during election week. Whatever the outcome of the election, Rhodesia's whites will remain in a good position to determine the policies of the new black-led government. (U)

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The frontrunning candidate to lead the new government is United African National Council (UANC) leader Bishop Abel Muzorewa. Muzorewa's last major rally drew over 120,000 people and, [REDACTED] he expects the UANC to win as many as 56 of the 72 black seats in the 100-member assembly. (S NF NC OC)

Looking ahead, Muzorewa may decide to exclude one or more of the other internal black leaders in the transitional government from his government. He is most likely to exclude Reverend Ndabaningi Sithole, his best-known rival and the leader of the internal faction of the Zimbabwe African National Union. Sithole is generally regarded as a better politician than Muzorewa, but he has a weak popular base. Neither of the other two black leaders, Chief Jeremiah Chirau of the Zimbabwe United People's Organization (ZUPO) and Chief Kayisa Ndiweni, who broke away from ZUPO last November to form the United National Federal Party, have much of a political following, but they should be able to win assembly seats for themselves. (S NF NC OC)

Guerrilla defectors loyal to Muzorewa and Sithole--some 4,000 and 1,000 respectively--have been responsible for widespread voter intimidation and violence, particularly in the countryside. In black townships around Salisbury, gangs of urban youth have been involved in similar actions. (U)

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Among Rhodesia's whites, the political field has been left entirely to Prime Minister Smith's Rhodesian Front (RF) party, which is assured of winning the 28 assembly seats reserved for whites. The small parties to the right of the RF have disbanded since the constitutional referendum last January, and the small, liberal National Unifying Front is boycotting the election on the ground that it is only a device for entrenching white power and privilege. (U)

Smith's determination to stand for election--his name heads the list of RF candidates--caused consternation among RF officials, some of whom believe that his continued political participation will destroy the election's credibility. Moreover, a number of other white ministers unacceptable to the blacks also will be running unopposed and will expect to be given cabinet positions in the new government. Rhodesian Front leaders have been holding out promises of future cooperation with the UANC, as both sides explore what sort of accommodations will be possible between them in the new government. (S NF NC OC)

Meanwhile, guerrilla leaders Joshua Nkomo and Robert Mugabe refuse to participate in the election. Both leaders recognize that it is irrelevant to a final settlement as long as the fighting continues. They are making plans to disrupt the election, but the government's plan for a "rolling" election in which security forces move from one polling area to another over a five-day period should assure a respectable voter turnout. Nevertheless, whether the election will be regarded as "free and fair" by outside observers may be less important than the political process that will get under way once the new government takes on the problems of gaining recognition and ending the fighting. (S NF NC OC) (SECRET NOFORN-NOCONTRACT-ORCON)

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Rhodesia: Frictions Within the ZAPU Leadership (U)

Disciplinary problems in the top leadership of the Zimbabwe African People's Union (ZAPU), frictions between the military and political wings of the organization, and personal and tribal rivalries are increasingly hampering ZAPU's ability to pursue the guerrilla war. ZAPU leader Joshua Nkomo so far has succeeded in keeping such problems in check, but as the military pressures intensify he is likely to encounter increasing difficulty asserting his control. (S)

In January, two commanders allegedly deserted their posts during a Rhodesian air attack; four others were accused of drunkenness, sexual misconduct, and misappropriating a ZAPU vehicle. When informed of these infractions, Nkomo reportedly berated the entire high command for exploiting their privileged positions for personal gain and for lacking discipline and dedication. Later that month, he suspended the chief of reconnaissance, the chief of training and personnel, and the deputy chief for training. The chief of logistics was suspended in February for selling ZAPU supplies to the Zambians. (S NF NC OC)

The accuracy of recent Rhodesian attacks on ZAPU bases in Zambia has also prompted Nkomo to search for spies among his chief officials. Deputy Army Commander Mutiniri was put under strict surveillance last month because he was suspected of having unauthorized contacts with Europeans in Lusaka. Nkomo reportedly plans to assign a member of ZAPU's security organization to each senior official, ostensibly as a bodyguard, but actually to report his activities and contacts back to Nkomo. (S NF NC OC)

Several high-ranking ZAPU leaders including Mutiniri, Vice President Chinamano, and Deputy Secretary General Chambati, have protested Nkomo's decision as a major infringement on their personal liberties and as a sign

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they no longer are trusted. They believe ZAPU has increasingly come under the influence of the military wing, which has been advocating more stringent security measures. Their concern also has a tribal basis in that they all belong to the Zezeru ethnic group, which has never gotten along well with Kalanga and Ndebele-dominated military wing of ZAPU. (S NF NC OC)

Soviet military advisers assigned to ZAPU are concerned that disagreements between the political and military wings of ZAPU are eroding the organization's military effectiveness. Last January, the military high command reportedly refused to attend a meeting of the Revolutionary Council until ZAPU leader Nkomo heard the commanders' grievances against the political wing. They complained that party officials were obstructing the war effort. Party officials countered by criticizing the Army commanders for their arrogant and belligerent manner and for placing the Army's needs above those of the party. (S NF NC OC)

The disorganization and indiscipline in the military high command have made planning and implementation of military operations inside Rhodesia more difficult, and have shaken guerrilla morale. Disaffected ZAPU guerrillas, citing their leaders' misconduct, last month reportedly persuaded large numbers of guerrillas operating inside Rhodesia to lay down their arms until the situation in Lusaka is corrected. ZAPU leaders are considering sending some officials into northern Rhodesia to mollify the guerrillas. (S NF NC OC)

Much of the disarray in ZAPU stems from a growing sense of frustration within the top leadership that not enough is being done to force a resolution to the Rhodesian conflict. Although Nkomo is not now actively pursuing a political solution, he still appears reluctant to commit large numbers of his forces to battle inside Rhodesia. But pressure from the military to launch major strikes and possibly even a conventional attack will probably increase. If Nkomo continues to resist, he could be risking the erosion of his position or even a direct challenge to his leadership from the military. (S)
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Ghana: Civilian Elections Scheduled (U)

The announcement last week by General Akuffo's regime that civilian presidential and parliamentary elections will be held on 18 June underscores its commitment to return Ghana to constitutional rule by next July as promised. There had been rumors in recent weeks of increased sentiment among some influential Ghanaians for delaying the transition to ensure more adequate preparation for civilian rule. The several nascent political parties and the constituent assembly--which is to produce a new constitution--are now on notice that they must meet the July target date. It appears that head of state Akuffo still plans to retire from the military with the advent of civilian rule, but there are conflicting reports about the plans of the other members of the ruling seven-man military council. The regime is continuing efforts to stabilize the battered economy and to lay the foundation for future economic growth, developments that are vital for the success of civilian government. (S NF NC)

The Political Party Scene

After initial euphoria following the lifting of the ban on politics last January, Ghana's aspiring civilian politicians have been considerably sobered by their exposure to the serious political and economic problems that they must grapple with after the military returns to the barracks. Of the four major parties (see chart), the United National Convention Party headed by 68-year-old William Ofori-Atta appears to be the solid front-runner for the civilian presidency. Ofori-Atta, a devout Christian, is regarded by many Ghanaians as a person of integrity who is apparently free of corruption and has few enemies. There are some doubts, however, if he can physically withstand the rigors of political campaigning and the presidential office. (S NF NC)

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Leading Ghanaian Political Parties

<u>Party Name</u>	<u>Party Leaders</u>	<u>Party Orientation</u>
United National Convention Party	William Ofori-Atta, party chairman and declared presidential candidate	Moderate, pro-Western group. Consists of factions of the ex-Progress Party of the late Prime Minister Busia, who governed from 1968 to 1972, and remnants of the People's Movement for Freedom and Justice, which led civilian opposition to General Acheampong, ousted in July 1978 in a bloodless coup. William Ofori-Atta served as Busia's Foreign Minister.
Popular Front Party	Dr. B. J. Da Rocha, party secretary-general	Moderate, pro-Western group representing other factions of the former Progress Party, D. J. Da Rocha was once secretary-general of the Progress Party.
People's National Party	Imoru Egala, party chairman	Espouses a vague form of African socialism. Made up of followers of the old Convention People's Party of the late President Nkrumah who ruled from 1957 to 1966. Imoru Egala was Minister of Industries under Nkrumah.
Action Congress Party	Frank Bernasko, party chairman and retired Army colonel	Moderate, pro-Western group built around a new breed of young Ghanaian politicians who represent a broader philosophy and range of interests than do the latter day offshoots of the old Busia and Nkrumah parties. Frank Bernasko resigned as Commissioner of Agriculture and Cocoa Affairs to protest General Acheampong's mismanagement.

Ofori-Atta reportedly sees the establishment of a broad-based government coalition as necessary to help overcome what he feels are Ghana's main difficulties--tribal divisions and rural underdevelopment. He further believes that Ghana's best hope for economic rehabilitation rests on continuing a mutually beneficial relationship with the West, which is its principal source of aid and investment. (C)

The second- and third-ranking parties, the Popular Front Party and the People's National Party, remain beset with serious factional rivalries and are unable to agree on presidential candidates. Merger talks between the Popular Front Party and the front-running United National Convention Party have not gone well, but they may yet work out an electoral alliance, that could prompt a loose governing coalition between the two parties after the July changeover to civilian rule. (S NF NC)

The Constituent Assembly

Under the military's timetable, the Constituent Assembly is to complete its review of Ghana's new draft constitution by 15 April. Since its inception last December, the body has moved slowly and been sidetracked at times by debates on nonconstitutional issues, but it probably will complete its job more or less on schedule. The Assembly's most noteworthy action to date has been its approval of a controversial proposal for an American-style executive presidency. Some Ghanaians had favored a return to a parliamentary system based on the Westminster model, while others expressed fears that a president with strong powers could become a dictator. (C)

The Military's Plans

Several of General Akuffo's colleagues on the military council reportedly are negotiating with leading civilian politicians to retain their present positions as service commanders with the changeover to civilian rule rather than face retirement from the military. Such an arrangement would have mutual advantages. It presumably would ease latent fears by civilian leaders of future military opposition. At the same time, top army

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officers associated with the new civilian government would have less reason to expect a post-turnover probe of their alleged mismanagement and corruption under military rule. The numerous lesser ranking military officers now seconded to ministerial and other governmental positions are expected either to be retired on generous pensions or returned to active duty. (C)

Recent Economic Developments

Last week, the Akuffo regime implemented a currency exchange operation in an effort to combat Ghana's triple-digit inflation. It is intended to reduce the money supply by some 15 to 20 percent and help curtail black market currency transactions. The currency exchange measure is in line with the government's previously announced austerity budget, stricter import control program, and IMF-approved stabilization plan to create favorable conditions for renewed economic development. The military probably will take further currency devaluation steps before the turnover to a civilian government which will probably find it more difficult to adhere to a strict policy of economic retrenchment and recovery. (C)
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Guinea-Bissau: The Return of the Portuguese (U)

Guinea-Bissau's moderate and pragmatic President Cabral orchestrated an enthusiastic reception last month for Portuguese President Eanes and concluded a military assistance agreement with Lisbon, Guinea-Bissau's former colonial ruler. The agreement and Eanes' reception reflect a mutual eagerness to improve economic and political relations; the nonaligned Guinea-Bissau government is also seeking to establish an alternative to its long-standing dependence on Moscow for military equipment. (S NF)

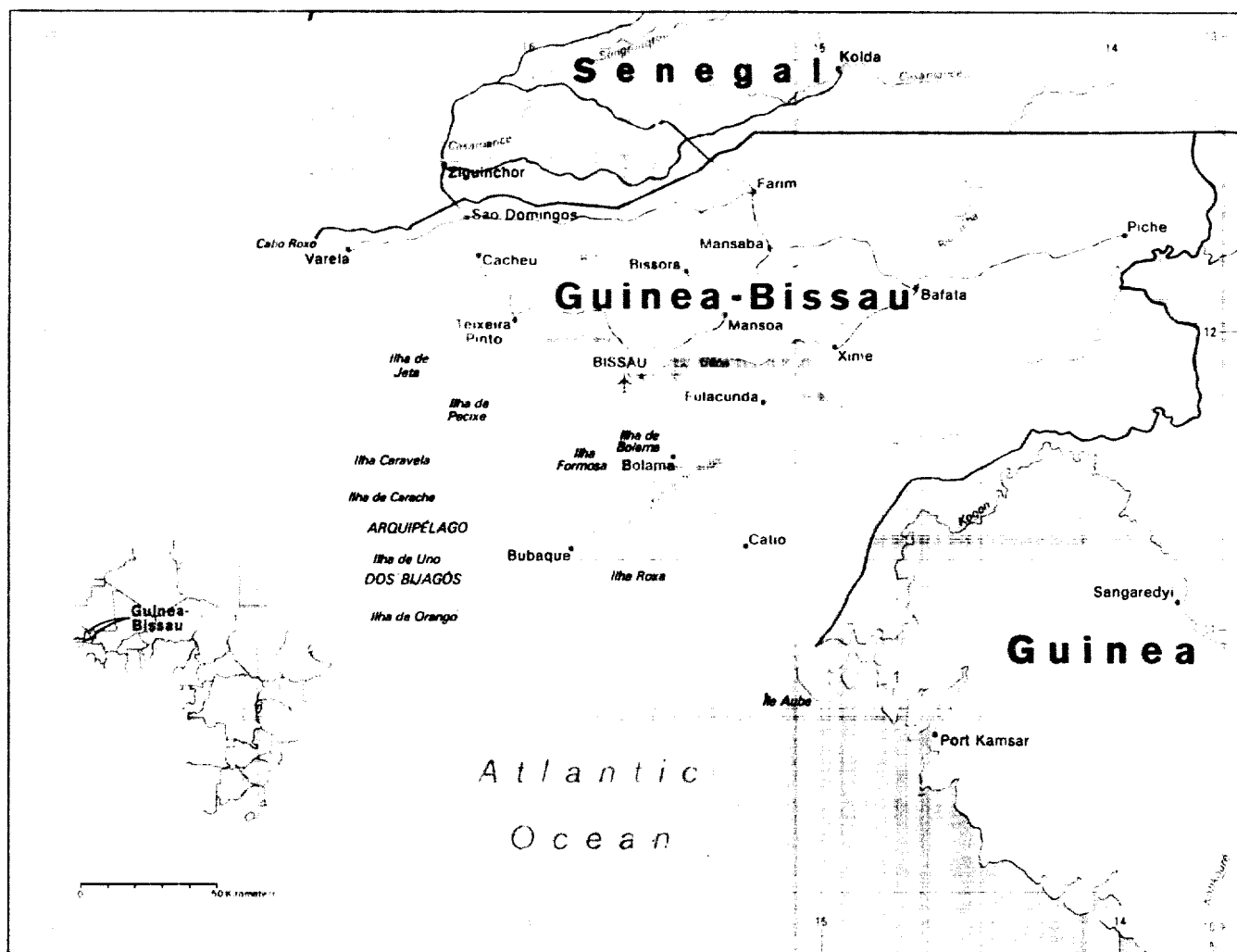
Moscow has been Guinea-Bissau's principal military supplier since the independence struggle against Portugal in the late 1960s and early 1970s. Although our information is sketchy, there were about 65 Soviet and between 50 and 140 Cuban military advisers in Guinea-Bissau in 1977. Moscow's last military agreement with Guinea-Bissau was concluded in 1976 and totaled about \$10 million. In recent years, however, relations between Guinea-Bissau and Moscow have been strained because of the former's adoption of a nonaligned position. Cabral has turned down recent offers of military assistance from Moscow and refuses to sign formal military agreements with the Soviets. Guinea-Bissau's concerns about Soviet activities and intentions have increased by the presence of Soviet fishing vessels in Guinea-Bissau's territorial waters. As a result, the hard-pressed Guinea-Bissau has looked increasingly to the West for badly needed food aid and development assistance. (S NF)

Portugal, for its part, seems eager to reinforce the position of the moderate, nonaligned leadership in Bissau, which is under some pressure from more left-leaning figures in the government. In recent years, Portugal has provided Guinea-Bissau with technical and advisory assistance, including teachers, scholarships, and aid to small-scale fishermen. In addition, Portuguese technicians have marked the navigational channels around the Port of

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Bissau. Lisbon has also expressed an interest in expanding trade between the countries and is presently investigating the possibility of reactivating the Bissau shipyard, which employed about 1,000 workers during the colonial era. (C NF)

The military agreement concluded during the Eanes' visit, which presumably expands an existing arrangement between the two countries, provides for the supply of military spare parts and technical assistance. The Portuguese will establish a military air transport base and a naval mission to assist in the organization and management of Bissau Port. Lisbon will also train a small number of Guinean military personnel in Portugal. A small group of Guinea-Bissau ministers and left-leaning military officers objected to the military accord with Portugal, but Cabral was able to override their discontent. (C)

Cabral also hopes to gain some internal political advantage from his strengthened relationship with Portugal. Guineans are growing disenchanted over their country's historical ties with Cape Verde. The two countries combined their efforts during the independence struggle against Lisbon and share the same ruling party, the African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC). Cabral would like to end Cape Verdean dominance of the party and the influential position in Guinea-Bissau affairs of the large Cape Verdean population. Cabral would probably like to dispense with the longtime party goal of a union of the two countries. The Guinea-Bissau leader apparently feels he can counterbalance or dilute Cape Verdean power by increasing Lisbon's influence in Bissau. (S NF)

In addition to the economic and domestic political advantages of closer ties with Portugal, Cabral hopes to gain some international stature from the relationship. Cabral perceives Guinea-Bissau as an important mediator between Portugal and all of its former colonies in Africa. Cabral arranged the successful summit meeting last June between President Eanes and President Neto of Angola, which resulted in the establishment of Portuguese-Angolan relations. Cabral may hope that his international role will elevate his country's position with the West and enhance its prospects for attracting assistance from that quarter. (S NF)

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President Eanes hopes Portugal will continue to gain influence in Bissau, so it can eventually wean Guinea-Bissau away from Moscow and Havana. Eanes may also plan to use Bissau to strengthen relations with Portugal's more important former colonies in Africa, Angola, and Mozambique. (C NF) (SECRET NOFORN)

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Mauritius: Steps Toward A Coalition (U)

There are strong indications that Prime Minister Ramgoolam will soon announce a coalition between his own ruling Labor Party and the opposition Mauritian Militant Movement (MMM). Under such an arrangement, Labor would most likely retain the upper hand because of the waning political fortunes of the MMM and its leader, Paul Berenger, who is promoting the coalition primarily to assure his political future. Mauritius probably would shift to some extent from a pro-Western to a nonaligned foreign policy. (S)

Signals from the MMM

During the past month, Secretary General Berenger, faced with a lack of popular support and increasing difficulties in the MMM, has initiated a number of moves to improve the political environment for negotiating a coalition with Labor. Berenger faces an irreconcilably disgruntled left wing that took none of the movement's Central Committee seats in a close party election last month. He plans to have the MMM Politburo resign at a party Central Committee meeting this Saturday as a step toward joining Labor in a coalition. Berenger has been moving rapidly to arrange a coalition before a political scandal breaks. One dissident, expelled from the MMM, recently threatened to reveal irregularities in Berenger's finances.* (S NF NC OC)

In another attempt to create more favorable conditions for forming a coalition, Berenger instructed the Mauritian newspaper, Le Peuple, to tone down criticism

*Berenger has reportedly accepted payments during the past few years from businesses that wanted to insure themselves against eventual nationalization by a future MMM government. He has also been accused of buying off the Central Committee with funds, trips, and other favors. (S)

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of the government. He also publicly backed the government in urging dockworkers to increase their efforts to load sugar exports in time to make quotas and contract deadlines overseas. (S NF NC OC)

At an MMM meeting last month, Berenger pushed through a measure that allows the Labor Party to attend the second Indian Ocean Conference of Progressive Parties on the demilitarization of the Indian Ocean in Madagascar next July. As the sole representative from Mauritius at last year's conference, the MMM isolated Labor in its pro-Western foreign policy stance and gained substantial political mileage throughout the Indian Ocean island community at Labor's expense. (S NF NC OC)

Labor's Attitudes Toward a Coalition

Labor has responded favorably but cautiously to the MMM's initiatives. The two party leaders began private discussions late last month on the terms of a coalition, and various party officials have continued negotiations. Berenger has withdrawn his initial demand that Ramgoolam retire before a coalition is formed. Ramgoolam believes the time is right for a coalition because Labor is relatively free of dissidence--unlike last year when the Boodhoo faction presented a serious challenge to the party--and the MMM, weakened by infighting, has limited leverage in determining its role in the new government. (S NF NC OC)

The Prime Minister also favors a coalition with the MMM because it holds a large number of seats in the National Assembly. The current government, a coalition between Labor and the much smaller Mauritian Social Democratic Party (PMSD) led by Gaetan Duval, has only a two-seat majority in the Assembly and frequently has difficulty passing legislation, particularly those measures needed to tackle the growing number of financial problems the country faces. (S NF NC OC)

Ramgoolam hopes that by forming a coalition, Labor will be able to play a prominent international role at the second Progressive Parties' Conference this summer and in Indian Ocean matters generally. A coalition with the progressive MMM would probably also convince the

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more radical Arab and African nations that Port Louis endorses their foreign policy initiatives and is worthy of receiving financial aid.* (S NF NC OC)

Makeup of the New Government

The composition of the coalition government is currently the focus of much behind-the-scenes maneuvering. Labor will almost certainly retain a large majority of high-level positions, because Berenger, aware of his limited room to maneuver, is primarily concerned with acquiring a key position for himself rather than looking out for other members of the movement. (S)

It is difficult to tell when Ramgoolam will announce a coalition. He may be attempting to slow the impetus toward one until he has planned his own future. Officials in both the MMM and Labor expect Ramgoolam's retirement this spring, and the Prime Minister told Agriculture Minister Boolell last week that he is ready to step into a newly created position of governor general after the coalition is announced. (S NF NC OC)

Ramgoolam, by stipulating that his retirement depends on PMSD leader Duval's tacit approval of the new coalition, is probably trying to delay his move to governor general until he can arrange for significant power to accompany him. Duval is unlikely to bless the new government; his much smaller party has enjoyed a disproportionate amount of political influence as Labor's sole coalition partner. (S NF NC OC)

If the Prime Minister does step down, Agriculture Minister Boolell or Finance Minister Ringadoo will probably succeed him. Boolell, who has developed contacts with the MMM during the past few years, is probably favored by Berenger. Ringadoo, long Ramgoolam's favorite, is the more left-leaning of the two, despite his friendly attitude toward the United States. (S)

*Late last month, prior to opening negotiations with the MMM, Ramgoolam, on an official visit to Libya, was promised substantial assistance if Mauritius conforms to a more progressive foreign policy line. (S)

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Changes in Foreign Policy

Regardless of who is Prime Minister, a coalition between Labor and the MMM--with or without the PMSD--is likely to result in a shift from Ramgoolam's conservative pro-Western line to a more nonaligned and possibly left-leaning foreign policy. The new government will probably be eager to take advantage of the MMM's cordial relations with the governments of the more radical Arab and African countries. Berenger, who reportedly may become Minister of External Affairs, contacted the Soviet Ambassador last Friday to inform him of the possible emergence of a coalition. Similar close contact between the MMM and the Soviets, who have been pushing several trade agreements with Port Louis, are likely to continue. (S NF NC OC) (SECRET NOFORN-NOCONTRACT-ORCON)

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Central African Empire: Two Months After the Bangui Disturbances (U)

Emperor Bokassa's political prospects remain clouded in the wake of violent antigovernment demonstrations in Bangui two months ago. The riots made clear to both the Emperor and his opponents that Bokassa's increasingly repressive rule has left him with little, if any, popular support. There are no indications so far of coup plotting and organized resistance, largely because of Bokassa's ability to keep his political opponents off guard and removed from any potential power base. Nevertheless, Bokassa's refusal or inability to tackle the economic problems that sparked the unrest suggest that more disturbances are likely and that the Emperor may soon be forced from the scene. The French Ambassador, a longtime observer of CAE politics, believes the Emperor will probably not survive beyond this year. (S NF NC OC)

The riots, which began as a student demonstration over a minor issue, quickly spread to other groups in the capital who have long been dissatisfied with the decline in urban living standards. Rioting lasted for three days before it was stopped by Bokassa's Imperial Guard. (S)

Shortly after the Bangui episode, civil unrest broke out in several provincial centers. Demonstrators engaged in extensive looting and destruction and attacked civilian and military officials. More troublesome for Bokassa was the recent appearance in Bangui of leaflets calling for an end to the monarchy and a strike by students and teachers to protest the arrest and exile of several school administrators for alleged involvement in last January's violence. (S NF NC OC)

These events have had a marked effect on Bokassa. His speeches have become more incoherent and emotional, and he shows frequent evidence of heavy drinking. The Egyptian Ambassador reports that in a recent meeting,

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the Emperor seemed extremely nervous, expressed concern about possible coup attempts, and compared events in Bangui with those in Tehran. Other diplomats have noted that Bokassa is depressed and extremely tired. In addition, security forces have been strengthened, the traditional public celebration of his birthday last month was called off, and a huge statue of the Emperor to be erected in Bangui's main square remains under wraps. (C)

The emotional strain has not prevented the Emperor from taking steps to satisfy the demonstrators' more immediate demands. He reportedly used his own funds to pay back wages to government employees--many had not been paid for two months or more. He also lifted a longstanding ban on organized labor activity and ordered both government and local business leaders to consider a substantial boost in wages. Workers, who have to pay steadily rising higher prices for housing and other essential goods and services, have not been granted a general wage increase for some time. Finally, Bokassa used the occasion of his birthday to announce a general amnesty for all prisoners, except those being held for security reasons or for embezzling state property. (C)

At the same time, Bokassa has been seeking various scapegoats for the surge in antigovernment activity. So far, he has removed the Minister of Education, whose son was one of the student leaders in the Bangui riots, and the Minister of Information--a relative of the CAE's first president and a prominent leftist politician. He has also pointed the finger at Prime Minister Maidou and other cabinet officials, prompting an offer by Maidou and his colleagues to resign. The Prime Minister's departure would almost certainly erode the Emperor's already limited popular support and leave him without a competent replacement to run the government. (S NF NC OC)

Imperial attention has also focused on the foreign diplomatic community. Late last month, Bokassa broke diplomatic relations with Libya and canceled all defense and economic assistance agreements with Tripoli. Libyan businessmen reportedly are to be out of the country by the middle of next week. The Emperor accused the Libyans of aiding his political opponents; he specifically cited

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the Libyan cultural center as the source of recent anti-government tracts. The Soviet Union was also attacked for its alleged collusion with the Libyans. In subsequent speeches, Bokassa has linked the French with the Bangui disturbances and has taken a swipe at the United States for its criticism of human rights conditions in the CAE. (C)

Outlook

Despite Bokassa's efforts to regain popular support and to absolve himself of all responsibility for the country's economic decay, his political position remains shaky. The January riots exposed the regime's vulnerability to popular pressure and will make people far less hesitant to take to the streets in support of their demands. Moreover, public coffers are bare and there is little likelihood they will be replenished. France, a traditional benefactor, has become increasingly reluctant to bail out Bokassa, and Libyan funds will dry up as a result of the rupture in diplomatic relations. (S)

As a result, the government faces a continuous financial crisis and the prospects of more turmoil that could further undermine the Emperor's position. The French Ambassador believes renewed disturbances would be far more violent and would involve the expatriate community, which escaped largely unscathed in the earlier riots. With diminishing public support, Bokassa will have to rely increasingly on the security forces to suppress opposition and preserve his position. So far, there are no signs of plotting in the military, but should the country's economic straits continue to worsen, public unhappiness could easily spread to the troops and their loyalty could be severely tested. (S) (SECRET NOFORN-NOCONTRACT-ORCON)

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Zaire: Economic Morass Deepens (U)

Zaire is facing its fifth consecutive year of economic contraction and worsening foreign debt problems despite high copper and cobalt prices. Concerted efforts by Western creditors and the International Monetary Fund (IMF) to prod the government of President Mobutu Sese Seko into reforming its slipshod financial practices and reducing graft have met with little success. Although copper and cobalt production have recovered from the effects of the May 1978 Shaba insurrection, output will probably decline this year because of skilled manpower shortages, equipment breakdowns, and transportation delays. Meanwhile, food shortages continue in many areas, and the threat of a third Shaba invasion hangs over the economy. (C)

By itself, the placement of IMF-sponsored experts in key financial positions in the Zairian Government is unlikely to bring about the basic reforms needed to achieve an economic turnaround. Mobutu relies heavily on a system of payoffs financed by graft and personal allocations from the central government budget to maintain political power. In these circumstances, a possible new IMF standby agreement entailing tighter Zairian economic policies would simply help the Mobutu government keep afloat without yielding meaningful economic change. (C)

Downhill Racer

The foundation for Zaire's economic troubles was laid by government overreaction to surging world copper demand in 1973. With copper prices up 85 percent in 1973-74, export receipts and foreign investment in copper mining zoomed. In this heady atmosphere, the government borrowed heavily to finance increased consumer imports, higher investment in transportation and electric power

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systems, and military expansion. Foreign credit commitments--70 percent of which were short term--jumped from an average of \$185 million a year in 1970-72 to \$1 billion annually in 1973-74. This house of cards began to topple with the decline in copper prices in the second half of 1974. Export receipts dropped more than one-third in 1975, while an ill-timed nationalization drive sharply reduced capital inflows. Foreign exchange reserves began to evaporate, and Zaire became delinquent on its foreign debt and import obligations. (C)

General economic and payments problems persist. Import controls to cut the trade deficit have led to shortages of machinery, parts, fuel, and raw materials that have reduced capacity utilization in nonmineral industries to less than 50 percent. Weak world demand, railroad closings in Angola and Rhodesia, and the Shaba insurrections in 1977 and 1978 have at various times cut into mineral output and exports. In addition to a fall in agricultural production because of government price controls and its on-again/off-again policy toward private farm ownership, these developments trimmed 15 percent from real GNP in 1975-78. (C)

Despite major debt reschedulings by Paris Club creditors* and conditional aid from the IMF, the payments situation has continued to deteriorate since 1974, mainly because of Kinshasa's unwillingness to control nonessential spending and graft by government officials. At the end of 1978, official reserves were down to rock bottom, arrearages had accumulated to more than \$400 million, and Zaire's debt/service ratio was a disturbing 37 percent. (C)

A Lone, Temporary Bright Spot

Although on the wane since 1974, mineral output has staged a better than expected recovery from the May 1978 Shaba insurrection, which disrupted output in the Kolwezi area (source of 70 percent of Zairian copper and 90 percent of its cobalt). The fighting took the lives of about

*Paris Club members consist of the Governments of Belgium, Canada, France, Italy, Japan, Netherlands, Sweden, the United Kingdom, the United States, and West Germany.

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Zaire: External Financial Gap

	Million US \$						
	1973	1974	1975	1976	1977 ¹	1978 ¹	1979 ¹
Trade balance	61	-95	-188	-13	Negl	140	500
Exports, f.o.b.	1,037	1,346	853	1,016	1,200	1,290	1,900
Imports, f.o.b.	976	1,441	1,041	1,029	1,200	1,150	1,400
Net services	-341	-568	-468	-324	-300	-300	-200
Current account balance	-280	-663	-656	-337	-300	-160	300
Debt amortization	-62	-98	-129	-77	-250	-300	-570 ⁴
Financial gap	-342	-761	-785	-414	-550	-460	-270
Gross capital inflow	400	515	218	305	340	170	160
Payment arrears (annual)	0	7	97	24	250	290	110
Errors and omissions	11	26	262	18	-40	0	0
Change in reserves	69	-213	-208	-67	0	0	0
External debt at yearend	1,751	2,677	3,008	3,306	3,537	NA	NA
Of which:							
Disbursed	862	1,295	1,655	2,169	2,633	NA	NA
	Percent						
Debt service ratio ²	8	12	30	30	31	37	30

¹ Estimated.

² Projected.

³ Principal and interest due as a share of commodity exports.

⁴ Includes both principal and interest.

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100 expatriates and resulted in the evacuation of almost all the remaining 450 foreigners who had run the mines. After a temporary shutdown, the Kolwezi mines and processing facilities went back into operation last summer, largely under the guidance of Zairian technicians; only about 100 expatriates had returned by the end of 1978. For the year as a whole, copper output was down 7 percent, while cobalt production--spurred by a doubling in prices--was up 27 percent, to 13,000 tons. (C)

Prospects for continued improvement are dim. Even without a third Shaba invasion by Katangan rebels, copper and cobalt output seem likely to fall by 10 percent or so in 1979.

-- Despite the demonstrated ability of the Zairian technicians to make repairs under trying conditions, production disruptions are probable as overtaxed and undermaintained trucks, excavating equipment, crushing mills, and refinery furnaces break down.

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- Lack of financing and the disruptions of the invasions have prevented timely ordering and delivery of machinery replacements and spare parts, which often require up to a two-year leadtime and are subject to damage and pilfering over the long rail/barge route from Zaire's port of Matadi.
- Shortages of trained engineers at Kolwezi are hampering long-term planning and probably leading to wasteful extraction procedures, which could hasten the reduction of output from the open pits and the underground mines.

As for the longer term, withdrawal of financing by the World Bank has delayed a large Kolwezi expansion program that had been scheduled to come on stream in 1980-81. (S)

Recent Policy Maneuvers

Over the years, Zaire has been pressed by its international creditors to agree to numerous measures to help straighten out the economy. Since last November, the central bank, under the direction of an IMF-selected expert from West Germany, has devalued the Zairian currency by almost 50 percent against the US dollar. It has also temporarily denied foreign exchange allocations to some 50 businesses that had been flouting the rules on repatriation of foreign exchange receipts to the central bank. These measures followed a mid-1978 reorganization of foreign exchange rules designed to limit leakages from private banks and give priority to allocations for industrial raw materials and essential manufactures. IMF-hired experts from Turkey and Belgium have been selected for positions in the Finance Ministry and customs office to bring expenditures under control and improve tax collections. (C)

Although substantial progress has been made in reducing the trade deficit since 1975, the impact of many measures has been watered down by the lack of political will to carry them through. Mobutu's continued political power rests to a large extent on maintaining personal control over substantial funds--perhaps \$100 million a year--to buy off potential political rivals. He must

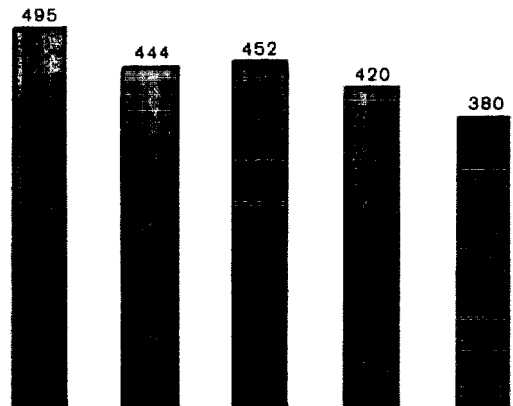
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Zaire: Copper and Cobalt

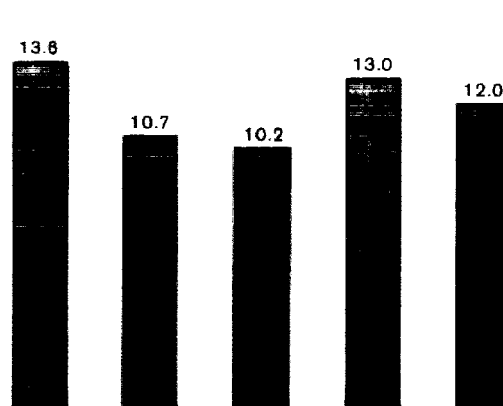
Copper

Production (Thousand Tons)

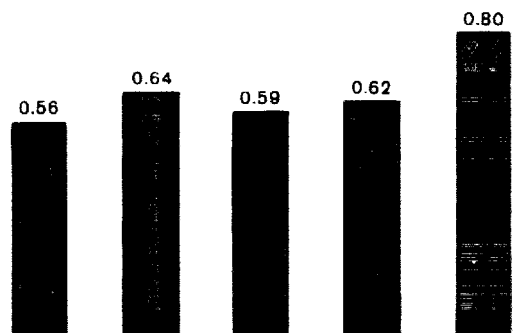


Cobalt

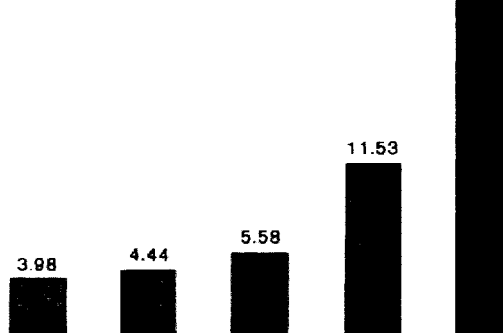
Production (Thousand Tons)



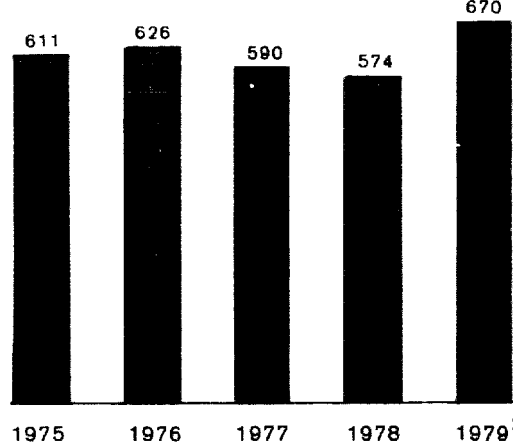
London Metal Exchange Prices
(\$ Per Pound)



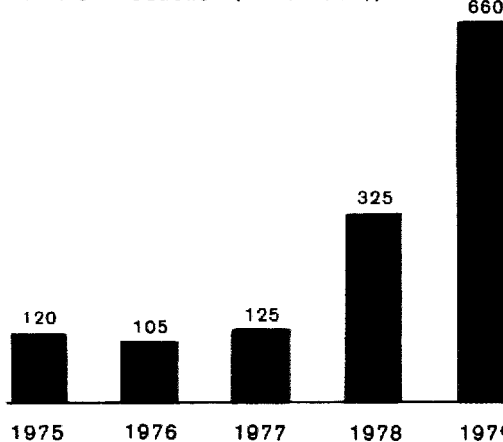
Zaire Producers Prices
(\$ Per Pound)



Value of Production (Million US \$)



Value of Production (Million US \$)



1. Projected.

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also turn a blind eye to subversion of reforms that would endanger the high life style of key subordinates. For example, financial machinations are apparently well under way through a foreign subsidiary of the government's mineral marketing agency to channel some proceeds from cobalt sales around the new IMF-sponsored central bank controls. (S)

Payments Prospects

Despite recent government measures, Zaire's external financial gap for 1979 seems likely to run close to \$300 million, mostly because of an increase in debt amortization payments to \$570 million. The current account balance should show substantial improvement. Most importantly, with the likely steep rise in prices, cobalt earnings could double, to \$600-700 million, despite some dip in output; this would make them equal to copper earnings for the first time. Copper earnings themselves should rise considerably, since prices are projected to rise at least 30 percent on average in 1979, more than offsetting any drop in production. The government, guided by the IMF experts in the central bank, will try to limit the volume of imports through tough control of both import licensing and foreign exchange allocation. Machinery and other capital goods should receive priority. Even at a constant volume, however, import value would increase because of rising import prices. Moreover, pressures for increased consumer and luxury good imports probably will push imports up as export receipts rise. (C)

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Zaire: Aid and Reform Packages, 1975-78

	Major Reform Proposals	Aid and Debt Rescheduling
1975 November		Initial Paris Club agreement on foreign debt consolidation and rescheduling of overdue payments.
1976 March	IMF package including: (a) 40-percent devaluation, (b) reduction of government budget deficits, and (c) continued tight import controls.	
June		Paris Club renegotiation of 1975 package; rescheduled \$211 million—60 percent of 1975 debt service arrearages and 40 percent of 1976 debt service maturities—in principal and interest overdue since 1 January 1975 and in principal due during July-December 1976.
November	Conditions to (a) eliminate \$180 million in accumulated arrears on syndicated bank loans by January 1977, and (b) begin negotiations for an IMF standby credit.	\$250 million loan by syndicate of Western banks. ¹
1977 April	Agreement on budget and balance-of-payments reforms, including increased control over operations of independent departments and agencies.	IMF \$93 million in standby and compensatory financing.
July		Paris Club call for debt rescheduling of \$200 million—about half of 1977 debt service—in principal due in 1977 and in interest due in January-June 1977.
November		Addition of interest maturities during July-December 1977 to July 1977 Paris Club agreement.
December		Paris Club rescheduling on more lenient terms than suggested in July.
1978 June	Proposals for a wide range of measures—including installation for foreign management in key banking, finance, and customs positions—to improve budgetary and foreign exchange control. Zaire agreement to tighten import controls; "Mobutu Plan" introduced, calling for (a) vast new investment and aid in agriculture, transportation, and other infrastructure and industry, and (b) direct balance-of-payments aid.	Brussels donors' conference of principal members of the "Paris Club" to discuss emergency aid.
August	IMF experts arrived to provide direction at the central bank.	
October	Evaluation of Zairian performance since first Brussels conference.	Second Brussels donors' conference.
November	Devaluation of the Zaire.	
December	Negotiations begun on a new IMF stabilization program.	Negotiations begun on new IMF standby credit and Paris Club aid.
1979 January	Further devaluation of the Zaire	

¹ Loan never transacted because of Zaire's failure to meet "conditions."

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The IMF credit, which undoubtedly calls for tightened controls on spending and imports, may be delayed for some time, leaving Zaire with a sizable increase in import arrearages and little access to future credits. Public corruption and the inability of the Finance Ministry and the Zairian legislature to produce a budget acceptable to the IMF are the main threats to the standby credit. US Embassy estimates set the 1979 budget deficit at \$600-700 million instead of the \$200 million projected by the Finance Ministry. Loath to cut spending, legislators have been trying to find new sources of revenue. At best, the budget portends heavy domestic borrowing, which will produce inflation equal to or greater than last year's 100 percent. (S NF)

If the IMF deal is stalled, hardships and popular dissatisfaction with the Mobutu regime will intensify. The economic contraction since 1975 has further reduced Zairian living standards, already among the lowest in the world. Transport and distribution breakdowns, import controls, and drought in the heavily populated Bas Zaire area (at the mouth of the Zaire River) have created chronic shortages of food and consumer goods throughout the country. (C) [REDACTED]

25X1A

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FOR THE RECORD (U)

Upper Volta: Challenge From Labor and the Opposition (U)

President Lamizana is being challenged by Upper Volta's major labor unions and opposition political figures. The unions, which are demanding increased wages, economic reform, and improved social security measures, are calling for a nationwide strike on 20-21 March. Opposition leaders Joseph Ouedraogo and Dr. Ki-Zerbo are reportedly taking advantage of the strike threat to press for the formation of a union government.

25X1C

[REDACTED], if their demands are not met by Lamizana, a national strike of unlimited duration will be called, presumably three weeks after the first strike, to force the government into changing its position. (S NF NC OC)

Lamizana has few options and may decide to sidestep labor's challenge by granting their demands. In the event of any violence, Lamizana probably feels the Army and gendarmerie, which are loyal to him in spite of some grumbling among the middle-level officers, will be able to handle the situation. Lamizana will continue to be plagued with reoccurring problems from labor and the opposition. The economically hard-pressed government will find it difficult to meet any labor demands. Opposition figures, recognizing that Lamizana's 13-month-old government has serious economic and social problems and is far from consolidating its position, will continue to seek out opportunities to undermine the government's position. (S NF NC OC) (SECRET NOFORN-NOCONTRACT-ORCON)

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RHODESIA: AN ANNOTATED CHRONOLOGY (U)
(February 1979)

- 1 February Rhodesia's Acting President Jack Pithey signs eight bills formally ending racial discrimination in public places, schools, hospitals, and in matters affecting land ownership and local government. (U)
- A Danish air charter firm begins airlifting ZAPU military recruits from Botswana to Zambia. (C)
- 2 February Reverend Sithole returns to Rhodesia following a week's visit to the United Kingdom where he discussed the results of the recent white referendum and settlement prospects with British Foreign Minister David Owen. (U)
- 3 February ZAPU leader Nkomo holds talks in Lusaka with visiting East German Deputy Foreign Minister Klaus Wil-
lerding. (U)
- 4 February Between 120,000 and 150,000 blacks attend a rally for Bishop Muzorewa's UANC in Salisbury. UANC officials claim 600,000 attended rally. The large turnout indicates continuing strong support for Muzorewa, despite increased guerrilla activity and intimidation. (U)
- ZAPU leader Nkomo attends a reception in honor of visiting Soviet Deputy Foreign Minister Leonid Ilichev at the Soviet Embassy in Lusaka. (U)

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5 February Bishop Muzorewa formally invites the United States and the United Kingdom to send observers to monitor the April elections. (U)

6 February The Executive Council invites the leaders of the Patriotic Front to return to Rhodesia to participate in the April election. (U)

ZANU leader Robert Mugabe, in a press interview, says his movement is heading toward military victory and is entitled to the "reins of government." He adds that Nkomo's forces have done so little of the fighting that they should not reap the rewards of victory and that Rhodesian whites would be welcomed in a nonracial society established by ZANU. (U)

A ZANU delegation headed by Robert Mugabe meets with Soviet Deputy Foreign Minister Leonid Ilichev in Maputo to discuss unity prospects of the Patriotic Front. (S NF)

7 February Paddy Millar defeats dissident former Rhodesian Front Cominister for Internal Affairs Rollo Hayman, by a 611 to 165 vote in a byelection for a seat in the House of Assembly. Hayman campaigned on a platform of "return to legality" under British rule. (U)

Bishop Muzorewa extends a second invitation to the United Kingdom and the United States to send observers to monitor the April election. (U)

Rhodesian Government authorities cancel all leave for the country's regular troops, reservists, policemen, and public servants with security force commitments to monitor the April election. (U)

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10 February The Botswanan Government suspends the ZAPU airlift after 3,200 recruits are transported from Botswana to Zambia. (S NF NC OC)

10-13 February ZAPU leader Nkomo visits Ethiopia to attend graduation of 1,000 Cuban- and Ethiopian-trained ZAPU guerrillas and meets with Chairman Mengistu. (S NF)

11-16 February ZANU leader Mugabe visits Ethiopia and meets with Chairman Mengistu. Mugabe and Nkomo apparently did not hold substantive discussions. (U)

12 February ZAPU guerrillas shoot down a Rhodesian civilian airliner near Lake Kariba with an SA-7 missile, killing all 59 persons aboard. (U)

13 February The Zambian Government issues a visa to Colonel A. N. Ivanov, a Soviet military officer, making him the fourth Soviet adviser to ZAPU and the first Soviet adviser to hold an official position in Lusaka. Ivanov is the new Deputy Economic Counselor in the Soviet Economic Mission. (S NF NC OC)

17-18 February Rhodesian aircraft bomb an empty ZAPU camp and attack other guerrilla bases near Livingston in southern Zambia. They attack additional ZAPU bases along the Zambezi River in Zambia the next day. (U)

 ZAPU forces attack the Odzi River Bridge--a major rail bridge between Salisbury and Umtali. This is the second attack on the rail line in less than a month. (U)

19 February Rhodesian aircraft attack a major ZANU supply depot in the Chimoio district of Mozambique. (U)

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19 February ZAPU guerrillas attack the civilian section of the Salisbury International Airport, the third major target within city limits to be hit since last December. No casualties or damage is reported at the airport, also the site of Rhodesia's largest military base. (U)

20 February The Rhodesian Parliament approves the new constitution by a vote of 48-6. The six dissenters are black. (U)

20-22 February A 70-member East German delegation led by head of state Erich Honecker visits Zambia and meets with Joshua Nkomo. Honecker announces a \$2 million donation to ZAPU in "solidarity goods." The Zambians decline an invitation to visit East Berlin. (C)

21 February The Times of Zambia--the official newspaper--prints a front page editorial condemning ZAPU banditry and terrorist activities inside Zambia. It is the most severe public attack on ZAPU published to date in Zambia. (U)

 Chief Chirau presents to British Foreign Secretary David Owen in London an 11-point peace plan for Rhodesia. The plan calls for a "preliminary consultative" meeting of all parties with no set agenda. It does not address the issues of a cease-fire or transition arrangements. (C)

22 February Rhodesian Prime Minister Ian Smith announces his intention to run for parliament in April in a Washington Post interview in Salisbury. (U)

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22-24 February EC Commissioner Cheysson pledges extensive refugee assistance through UN channels to ZAPU during his visit with Nkomo in Zambia. Nkomo, well-versed regarding the European Parliament, intends to lobby for political and economic support. The EC program in Zambia amounts to about \$50 million. (C)

East German head of state Erich Honecker refuses to meet with Robert Mugabe during his visit to Maputo. Mugabe, who had changed earlier travel plans to meet with Honecker, is annoyed but meets with the East German delegation. The East Germans refuse to give ZANU humanitarian aid. (S NF NC OC)

23 February Rhodesian aircraft bomb a ZAPU refugee camp at Nampundwe, 20 kilometers west of Lusaka, that houses many recruits airlifted from Botswana to Zambia earlier this month. Casualties are light. The aircraft return to attack the ZAPU headquarters complex 20 kilometers north of Lusaka, killing several Zambian civilians on an adjacent farm. (U)

25 February -
2 March ZANU leader Mugabe attends the OAU Ministerial Meeting in Nairobi. (U)

26 February ZAPU leader Joshua Nkomo reportedly departs for East Germany and the USSR to request additional support for his guerrilla forces. (S NF NC OC)

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26 February Rhodesian aircraft bomb Angola for the first time, attacking a ZAPU training camp at the Boma Mission south of Luena, formerly Luso. Some 200-300 guerrillas are killed and over 500 wounded. South Africa lends Rhodesia two Canberra bombers for the raid.

25X1C [REDACTED] as many as 14 Cubans, 15 Angolans, and at least two Soviets are killed in the attack. (S NF NC OC)

26-27 February ZAPU guerrillas mistakenly shoot down two Zambian military aircraft flying over ZAPU camps northwest of Lusaka. The attack further aggravates growing tensions between ZAPU and the Zambians. (U)

28 February Prime Minister Ian Smith addresses the last session of the House of Assembly, which has been controlled by the whites since 1923. In his speech he traces the history of Britain's handling of Rhodesia and denounces the United Kingdom for "treachery." The new Parliament, to be elected in April, is set to reconvene on 29 May. (U)
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